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General Bakeries Limited
Annual Report

For the Year Ended April 4, 1970



General Bakeries Limited

Directors

W. M. Vacy Ash—Toronto
Member of the Executive Committee

Christie T. Clark—Toronto
Member of the Executive Committee

J. C. P. Conrad—Toronto
Member of the Executive Committee

T. G. Gedge—Toronto

Grant Horsey—Toronto

Edwin C. McDonald—New York

John A. McDougald—Toronto
Chairman of the Executive Committee

J. Ernest Savard—Montreal

S. R. Saxby—Montreal

J. P. Walwyn—Toronto

Officers

W. M. Vacy Ash
Chairman of the Board

J. C. P. Conrad
President

R. J. Langley
Vice-President and Ass't General Manager

T. G. Gedge
Vice-President—Finance and Secretary-Treasurer

F. R. Fillion
Vice-President—Personnel and Industrial Relations

P. L. Pope
Vice-President—Manufacturing

Auditors

Thorne, Gunn, Helliwell & Christenson, Toronto

Solicitors

Fraser & Beatty, Toronto

Registrar & Transfer Agent

Crown Trust Company, Toronto, Montreal and Vancouver

Bankers

Canadian Imperial Bank of Commerce—Banque Canadienne Nationale—The Bank of Nova Scotia

GENERAL BAKERIES LIMITED AND SUBSIDIARY COMPANIES

Mammy's Limited

Walker Bakeries Co. Limited

General Bakeries (N.B.), Limited

O'Malley's Limited

The Marra's Bread Limited

Ellenzweig Bakery Co. Limited

Wonder Bread Limited

Plants and Offices

St. John's, Dartmouth, Saint John,

Montreal, Ottawa, Brockville,

Kingston, Toronto, Orillia,

Hamilton, London, Amherstburg

Executive Offices

170 The Donway West, Don Mills, Ontario

General Bakeries Limited and Subsidiary Companies

ANNUAL REPORT FOR THE YEAR ENDED APRIL 4, 1970

Financial Highlights

	1970	1969
Net income for the year - - - - -	\$ 20,204	\$ 323,484
Equal per share to - - - - -	.03	.43
Dividends declared - - - - -	187,500	187,500
Equal per share to - - - - -	.25	.25
Shareholders' equity - - - - -	4,946,589	5,113,885
Equal per share to - - - - -	6.60	6.82
Equity capital invested		
Working capital - - - - -	947,119	991,656
Special refundable tax - - - - -	—	18,545
Fixed assets, less accumulated depreciation -	5,346,969	4,704,183
Goodwill - - - - -	1	1
	6,294,089	5,714,385
Deduct:		
Bank Loan - - - - -	700,000	—
First mortgage payable - - - - -	270,000	270,000
Deferred income taxes - - - - -	377,500	330,500
	<u>\$4,946,589</u>	<u>\$5,113,885</u>
Gross expenditures for fixed assets during year -	\$1,279,781	\$1,066,370

Report to the Shareholders *For the year ended April 4, 1970*

From the point of view of net return, the past year has been the most difficult undergone by your Company in some years. As you will see from the statement of income on page six of this report, in spite of the highest sales in our history at \$34,884,541, there was a loss before income taxes of \$48,196. After the application of tax credits, net income for the year was \$20,204.

Contributing to the operating loss were total additional payroll and fringe benefits of \$700,000 this year over last year. There was also the loss in revenue of \$160,000 directly related to a lower return on stencilled bread. In addition there was a non-recurring expense of \$107,000 to repaint the truck fleet. This was a necessary expenditure to further establish the Wonder and Hostess trademarks and identify them with General Bakeries. These substantial additional costs alone amount to \$967,000. This was a heavy burden and was carried at the expense of profit together with savings accruing from the partially completed capital programme and other cost reducing methods.

In those plants where more substantial capital changes were made both in machinery and buildings, normal production flows and costs were interrupted. Start-up and breaking-in expenses have been high but are declining as the projects gradually approach completion and reach capacity.

To supplement the cash requirements for the foregoing made it necessary to use bank funds of \$700,000. Sub-

sequent to the year-end, we exercised our option to purchase certain plants and depots. The entire purchase price was financed by the issue of 6¾% first mortgages.

On acquisition of the seven plants of the Wonder chain of bakeries two and a half years ago, a long-term capital programme was undertaken to co-ordinate the total production facilities of both companies and gear up to meet the needs of the consumer in the 70's. To bring you up to date on the extensive changes undertaken, here is a brief summary of the present position of this programme.

A building was added to the plant in Newfoundland and a new bread line installed. This doubled the rate of bread production and improved quality and efficiency. The bread line became fully operational in early spring and the new production rates are now in effect. Expansion of cake production and the installation of freezing facilities were undertaken for the production of a retail line of premium quality cakes to comply with future market requirements and add to the existing cake product varieties.

In Montreal the first phase of a five-year programme to make this plant a top variety bakery is complete. A new addition to the building provided an expanded shipping and loading area to handle the increased volume. A dual roll line consisting of two ovens and a proof box has been installed and is in operation. Bread and cake facilities have been re-aligned to improve efficiency and product flow.

Most extensive changes are under way in the Toronto plant. This project continues behind schedule owing to the enforced delay by construction labour strikes during the first quarter. The addition to the plant is complete and bulk material handling systems for fat, sugar and flour have been installed. Currently in process is the installation of a new automatic bread line, dock loading and improved shipping facilities and installation of the most modern and advanced automatic pumpable sponge system for bread and rolls. A new automatic doughnut line is scheduled for installation this summer.

Production facilities in the London plant have been totally re-aligned and much of the machinery and equipment reconditioned or replaced with the most modern and efficient designs. This plant produces cake formerly produced in the five other Ontario plants.

In order to co-ordinate the capital programme with production facilities, it was decided to form a manufac-

turing division within the Company. This department is now under the administration of Mr. Paul Pope, Vice-President, Manufacturing. Mr. Pope joined us in October following a wide and successful experience in bakery production and administration.

Turning to the outlook, a prediction concerning next year's results would need be qualified at this time. The baking industry generally is passing through quite a difficult period. Bread is currently selling at the early 60's level yet we are operating with costs of the 70's. The basic and indispensable nature of our products makes us abnormally sensitive to the stresses and strains of the retail food business over which we have no control. On the other hand new and more efficient production machinery and equipment is being developed.

This, together with the aggressive application of new distribution sales and marketing techniques, as well as maintaining the highest standards of quality and service from which there will be no compromise, will ensure the future success of your Company.

Respectfully submitted on behalf of the Board of Directors.



Chairman of the Board



President

May 21, 1970

General Bakeries Limited and subsidiary companies

INCORPORATED UNDER THE LAWS OF ONTARIO

<i>Assets</i>		1970	1969
CURRENT ASSETS			
Cash	- - - - -	\$ 968,617	\$1,131,551
Accounts receivable	- - - - -	2,100,526	1,758,686
Inventories, at lower of cost and net realizable value	- - - - -	1,004,074	959,472
Income taxes recoverable	- - - - -	158,145	
Prepaid expenses	- - - - -	111,214	110,012
		<u>4,342,576</u>	<u>3,959,721</u>
SPECIAL REFUNDABLE TAX	- - - - -		<u>18,545</u>
FIXED ASSETS (note 1)			
Land, buildings and equipment, at cost	- - - - -	11,633,475	10,793,896
Less accumulated depreciation	- - - - -	6,286,506	6,089,713
		<u>5,346,969</u>	<u>4,704,183</u>
GOODWILL	- - - - -	<u>1</u>	<u>1</u>
Approved by the Board			
W. M. VACY ASH, <i>Director</i>			
J. C. P. CONRAD, <i>Director</i>			
		<u>\$9,689,546</u>	<u>\$8,682,450</u>

AUDITORS' REPORT

To the Shareholders of
GENERAL BAKERIES LIMITED

We have examined the consolidated balance sheet of General Bakeries Limited and subsidiary companies as at April 4, 1970 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Consolidated Balance Sheet, April 4, 1970

(WITH COMPARATIVE FIGURES AT APRIL 2, 1969)

Liabilities

	1970	1969
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - - - - -	\$3,348,582	\$2,877,503
Dividend payable - - - - -	46,875	46,875
Income taxes payable - - - - -		43,687
	<u>3,395,457</u>	<u>2,968,065</u>
LONG-TERM DEBT		
Bank loan, due June 3, 1971 - - - - -	700,000	
6½% first mortgage, payable \$27,000 semi-annually February 18, 1973 to August 18, 1977 - - - - -	270,000	270,000
	<u>970,000</u>	<u>270,000</u>
DEFERRED INCOME TAXES - - - - -	<u>377,500</u>	<u>330,500</u>

Shareholders' Equity

CAPITAL STOCK		
Authorized		
50,000 Preference shares of \$10 par value		
1,500,000 Common shares of no par value		
Issued		
750,000 Common shares - - - - -	1,034,750	1,034,750
RETAINED EARNINGS - - - - -	3,911,839	4,079,135
	<u>4,946,589</u>	<u>5,113,885</u>
	<u>\$9,689,546</u>	<u>\$8,682,450</u>

In our opinion these consolidated financial statements present fairly the financial position of the companies as at April 4, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON

Chartered Accountants

Toronto, Canada, May 15, 1970

General Bakeries Limited and subsidiary companies

Consolidated Statement of Income

YEAR ENDED APRIL 4, 1970 (with comparative figures for year ended April 2, 1969)

	1970	1969
Sales - - - - -	\$34,884,541	\$34,310,939
Costs and operating expenses - - - - -	34,344,864	33,199,472
Depreciation - - - - -	602,529	626,042
Interest on first mortgage - - - - -	18,225	18,225
	<u>34,965,618</u>	<u>33,843,739</u>
	(81,077)	467,200
Profit on disposal of fixed assets - - - - -	32,881	49,784
Operating income (loss) before income taxes - - - - -	<u>(48,196)</u>	<u>516,984</u>
Income taxes		
Current (recoverable) - - - - -	(115,400)	200,500
Tax credits from previous year's loss - - - - -		(45,500)
Deferred - - - - -	47,000	38,500
	<u>(68,400)</u>	<u>193,500</u>
Net income for the year - - - - -	<u>\$ 20,204</u>	<u>\$ 323,484</u>

Consolidated Statement of Retained Earnings

YEAR ENDED APRIL 4, 1970 (with comparative figures for year ended April 2, 1969)

	1970	1969
Balance at beginning of year - - - - -	\$ 4,079,135	\$ 3,943,151
Net income for the year - - - - -	20,204	323,484
	<u>4,099,339</u>	<u>4,266,635</u>
Dividends declared - - - - -	187,500	187,500
Balance at end of year - - - - -	<u>\$ 3,911,839</u>	<u>\$ 4,079,135</u>

General Bakeries Limited and subsidiary companies

Consolidated Statement of Source and Application of Funds

YEAR ENDED APRIL 4, 1970 (with comparative figures for year ended April 2, 1969)

	1970	1969
Source of funds		
Operations		
Net income for the year - - - - -	\$ 20,204	\$ 323,484
Items not involving current funds		
Depreciation - - - - -	602,529	626,042
Deferred income taxes - - - - -	47,000	38,500
	669,733	988,026
Special refundable tax - - - - -	18,545	27,681
Book value of fixed asset disposals and retirements - - - - -	34,466	44,378
Bank loan - - - - -	700,000	
	<u>1,422,744</u>	<u>1,060,085</u>
Application of funds		
Additions to fixed assets - - - - -	1,279,781	1,066,370
Dividends declared - - - - -	187,500	187,500
	<u>1,467,281</u>	<u>1,253,870</u>
Decrease in working capital - - - - -	44,537	193,785
Working capital at beginning of year - - - - -	991,656	1,185,441
Working capital at end of year - - - - -	<u>\$ 947,119</u>	<u>\$ 991,656</u>

Notes to Consolidated Financial Statements YEAR ENDED APRIL 4, 1970

1. FIXED ASSETS

	1970			1969
	Cost	Accumulated Depreciation	Net	Net
Land - - - - -	\$ 501,378		\$ 501,378	\$ 469,986
Buildings - - - - -	3,339,250	\$ 970,980	2,368,270	1,937,435
Equipment - - - - -	7,792,847	5,315,526	2,477,321	2,296,762
	<u>\$11,633,475</u>	<u>\$6,286,506</u>	<u>\$5,346,969</u>	<u>\$4,704,183</u>

In April 1970 the company exercised its option to purchase certain properties, formerly rented, and in full consideration therefor issued 6% first mortgages totalling \$1,479,000 payable \$147,900 semi-annually April 20, 1975 to October 20, 1979.

2. PENSION OBLIGATIONS

As at January 1, 1970 the actuarial deficiency of the company's pension plans amount to \$250,458 which is being funded by annual payments of \$22,551 over the next 20 years.

3. OTHER STATUTORY INFORMATION

The direct remuneration of directors and senior officers, (including the five highest paid employees) amounts to \$208,989 (1969—\$169,891).

General Bakeries Limited and subsidiary companies

Ten Year Financial Record

	1970	1969	1968	1967
OPERATIONS				
Income from operations - - - - \$	20,204	\$ 323,484	\$ 250,597	\$ 419,166
Equal per share to - - - -	.03	.43	.34	.56
Net income for the year - - - -	20,204	323,484	501,362†	419,166
Equal per share to * - - - -	.03	.43	.67†	.56
Dividends declared - - - -	187,500	187,500	187,500	187,500
Equal per share to * - - - -	.25	.25	.25	.25
FINANCIAL POSITION				
Current assets - - - - -	4,342,576	3,959,721	4,227,424	2,371,724
Current liabilities - - - - -	3,395,457	2,968,065	3,041,983	1,903,533
Working capital - - - - -	947,119	991,656	1,185,441	468,191
Special refundable tax - - - -	—	18,545	46,226	45,788
Fixed assets, less accumulated depreciation - -	5,346,969	4,704,183	4,308,233	4,657,059
Total assets - - - - -	9,689,546	8,682,450	8,581,884	7,074,572
Bank loan - - - - -	700,000	—	—	225,000
First mortgage payable - - - -	270,000	270,000	270,000	—
First mortgage serial bonds - - -	—	—	—	—
Deferred income taxes - - - -	377,500	330,500	292,000	144,000
Shareholders' equity - - - - -	4,946,589	5,113,885	4,977,901	4,802,039
Equal per share to * - - - -	6.60	6.82	6.64	6.40

*Per share figures are adjusted to reflect three-for-one stock split effective July 2, 1964.

†Includes a non-recurring profit of \$250,765 on sale of western Canada businesses and expropriation of Toronto plant, equal per share to 33 cents.

1966	1965	1964	1963	1962	1961
\$ 629,463	\$ 602,040	\$ 501,324	\$ 361,495	\$ 302,078	\$ 240,975
.84	.80	.67	.48	.40	.32
629,463	602,040	501,324	361,495	302,078	240,975
.84	.80	.67	.48	.40	.32
187,500	159,375	125,000	100,000	100,000	100,000
.25	.21¼	.17	.13	.13	.13
2,275,532	2,067,185	2,086,495	1,926,094	1,683,492	1,549,053
1,758,153	1,374,556	1,567,198	1,503,159	1,419,994	1,314,902
517,379	692,629	519,297	422,935	263,498	234,151
—	—	—	—	—	—
4,492,993	3,986,780	3,906,447	3,766,485	3,804,427	3,661,696
6,768,526	6,053,966	5,992,943	5,692,580	5,487,920	5,210,750
300,000	450,000	700,000	800,000	900,000	890,000
—	—	—	—	—	—
—	—	40,000	80,000	120,000	160,000
140,000	101,000	—	—	—	—
4,570,373	4,128,410	3,685,745	3,309,421	3,047,926	2,845,848
6.09	5.50	4.91	4.41	4.06	3.79

General Bakeries has a single

purpose . . . the production

of the finest quality

bread and bakery

products . . . the consistent

development of high standards

of baking procedure and

bakery service for the benefit

of Canadians in the territories

served by your company.

